Poverty and the multiple stakeholder challenge for global leaders

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Abstract

The article presents a case study in which business leaders deal with challenging problems related to poverty, involving multiple stakeholders. This emphasizes the importance of training prospective global leaders to manage stakeholder relationships and engage in stakeholder dialogue. We highlight the stakeholder role played by NGOs and include a simulation that develops stakeholder dialogue skills. We identify practical lessons and assumptions underlying business education that are not shared by all stakeholders in the context of poverty.

Key Words: poverty, stakeholder theory, stakeholder dialogue, global leadership.

Poverty and the Multiple Stakeholder Challenge for Global Leaders

"Along with ecological risk, expanding inequality is the most serious problem facing world

society." Anthony Giddens, British sociologist, 1999

Businesses run the risk of being drawn into thorny societal problems and conflicts for which their leaders are ill-prepared. We will present a case in Brazil in which conditions of poverty contributed to difficult challenges involving multiple stakeholders. Stakeholder "risk" highlights the need for global leadership, perspective taking, and creative stakeholder dialogue skills. Our purpose is to illustrate how global business leaders deal with multiple stakeholders, and in particular, with non-governmental organizations (NGOs). NGOs play a major advocacy role with respect to poverty and, compared with government entities and labor unions, are often less well understood by business. We challenge some of the current assumptions that drive business education and relay some lessons learned about stakeholder dialogue in a global setting. Finally, the article contains a simulation that can be used to develop stakeholder dialogue skills in the global context.

CEOs cannot simply act autonomously and track numbers; sometimes they must act like politicians dealing with numerous stakeholders who want to influence how public companies are run (Murray, 2007). "Every day they are co-creating their leadership, their brand and their future with a widening array of constituencies" (Murray, 2007: A-1). U.S. companies in particular have come under greater scrutiny by "shareholder advocates, hedge funds, private-equity deal makers, legislators, regulators, attorneys general, nongovernmental organizations, and countless others" (Murray, 2007: A-1).

Stakeholder theory includes external parties, not just investors, customers, employees and suppliers. The central issue is to identify the key external parties and determine how to involve them (Freeman, 1984). Global firms have an even more complex web of stakeholders in a context characterized by multiplicity and interdependencies. A study of expert cognition in global leaders identified boundary spanning and stakeholder relationships as a major focus of attention (Osland, Bird, Osland & Oddou, 2007).

Global leadership (GL) reflects the leadership challenges resulting from globalization. It can be defined as "the process of influencing the thinking, attitudes, and behaviors of a global community to work together synergistically toward a common vision and common goals" (Osland, Bird, Mendenhall & Osland, 2006: 204). While GL shares many commonalities with domestic leadership, the global context creates differences in degree and kind (ibid.). Global complexity, for example, requires a high degree of boundary spanning that entails working across functional, geographic, and external boundaries to transfer needed ideas, information, decisions, talent, and resources. The interdependencies in the environment require the ability to influence multiple stakeholders (Brake, 1997; Osland, 2008).

Ganitsky (2005) recommended against a self-centered approach for companies, urging leaders to look at the bigger picture and include poverty-related social problems in their planning. Firms need to consider communities, governments, and NGOs to develop comprehensive synergistic solutions. To succeed, mutual understanding and trust are vital, as are the stakeholder dialogue skills of those involved.

In our case, the stakeholders are:

1) Aracruz Celulose, an award-winning Brazilian pulp producer attempting to maximize shareholder wealth and respond to community needs, the socio-economic development of

indigenous communities, and pressures tactics;

2) Indigenous communities and the Landless Workers Movement (MST). The Indians invaded and received Aracruz land from the government, but are still in need of socio-economic development. The MST, a powerful political force, supported the indigenous people in their quest a larger reservation.

3) International Non-governmental organizations (NGOs) who criticize Aracruz for its position on the indigenous land controversy and impact on the environment.

4) National Indigenous People Foundation (FUNAI), the Brazilian government agency who advocates for Indian rights and their socio-economic well-being.

5) The community surrounding the Aracruz plantations in Espírito Santo, which is comprised of local suppliers, employees, and contract workers, churches, schools who are impacted by Aracruz's actions and the poverty of the indigenous people.

THE ROLE OF NGOs

NGOs have become influential in the global economic and political arena in the last twenty years (e.g., Wapner 1996, 1995; Guidry et. al. 2000; Josselin and Wallace, 2001; Smith et. al. 1997). Thousands of NGOs are developing shared procedural repertoires and gathering to form a global presence at UN conferences (Clark et al., 1998: 51). The last two decades have seen tremendous growth in the number of NGOs participating in international negotiations and conferences, particularly in the area of environmental issues and a "new range of transnational social movements, networks, and organizations seeking to promote a more just and equitable global order" (Batliwalal, 2002: 393). NGOs have proven to be effective in four areas: negotiation, advocacy, providing resources, and policy making. They bring expertise to the

negotiating table and serve as an important channel of influence through alliances with key actors. In the short term, NGOs are most effective when they are involved in the early stages of negotiation, suggest substantive and procedural ideas grounded in well-established principles of international negotiation, and couch their suggestions in the framework international politics (Humphreys, 2004: 51).

NGOs also function as advocates (Keck & Sikkink, 1998) by: 1) acting collectively as transnational advocacy networks; 2) mobilizing information to frame issues in ways that challenge dominant interpretations of global politics; and 3) being broad enough to be flexible and accommodate a variety of structures. Social inequality issues represent an important intersection of local and international interests, for which NGOs play an important role as conduit and advocate.

NGOs help fill gaps in the provision of social welfare services, particularly for governments of developing countries who are attempting to build their administrative capacities. NGOs also provide resources to disenfranchised groups within the context of poverty. With enhanced communication abilities enabled by global communication networks, "NGOs … possess technical expertise, organization, and funding, and they dispense major resources. NGOs now deliver more aid than the whole UN system" (Brecher, Costello and Smith, 2000: 87). The Internet plays a significant role in the coordination of these actions, allowing NGOs to wield a wide range of resources to help mobilize relief efforts and educate the public about poverty issues.

With respect to policy making, NGOs have successfully helped to foster policy reform in developing countries. The work of NGOs demonstrates that grass-roots action is an important element of institution building and creating a stronger civil society (Campos et al., 2004). In an

advisory capacity, NGOs can help find policy solutions that are acceptable to governments of both developed and developing countries. In an activist or advocacy role, NGOs "can quickly delegitimize weak standards and inadequate enforcement mechanisms, and they can also mobilize effectively for more stringent codes of conduct and more reliable monitoring" in areas such as labor or environmental protections (Gereffi, Garcia-Johnson & Sasser, 2001: 64).

One result of globalization is a power shift from governments and organized labor to multinational enterprises (MNEs), markets and international NGOs (Kobrin, 2001). This has meant an adjustment in the thinking and relationships of all these groups, and especially between MNEs and NGOs. Given the growing importance of NGOs, it behooves business to understand their motivation and functions and, where possible, to partner with them.

Creative stakeholder dialogue enables global business leaders to orient their corporate perspective toward reducing global poverty without undermining shareholder value (see Lodge and Wilson, 2006). The creation of jobs in impoverished communities is the most direct way that international companies can help to address conditions of poverty in the world. Companies are "the engines that produce jobs and with them the economic and social benefits that follow employed engaged individuals" (Fort & Schipani, 2004: 223). However, the way that companies engage with both internal and external stakeholders, including the community in which they operate, contributes to conditions that either help or hinder poverty alleviation. If companies are perceived to exploit local communities, they may inadvertently generate social unrest (Fort & Schipani 2004). The reaction to perceived injustices can be violent and lead to closure of local operations and the loss of jobs that help alleviate poverty.

ARACRUZ CELULOSE

The Brazilian firm Aracruz Celulose leads the world in bleached eucalyptus pulp used in paper manufacturing and is the owner of the largest existing pulp mill (Singh, Kundu, & Foster, 2005). Erling Lorentzen founded Aracruz in 1972 and retired as chairman in 2004 at the age of 81. He was a Norwegian hero, for his WWII resistance work, who married into Norway's royal family. He and his bride moved to Brazil in 1953 (Aftenposten, 2004). In a 2000 interview Lorentzen said, "I saw so many opportunities, so much need for development in Brazil. The misery you saw—and still see—was something that I felt maybe I had to do my little share to alleviate" (Harvard Business School, 2000). Lorentzen took a leadership role in responding to criticisms of the paper industry in the 90s. He raised funding for an independent study that contributed to green improvements in the forest products industry (PPI, April 1998). The study also recommended that firms pay more attention to social issues. As Carlos Augusto Lira Aguiar (2005), President and CEO of Aracruz, wrote, "In the new business environment, only companies that manage adequately to integrate economic, social and environmental factors in their business planning to the extent necessary to be considered sustainable will have a place in the market – and, indeed, a future."

Landless populations of some Latin American countries use land seizure to pressure companies and governments. Legacies of the colonial era and poorly developed legal systems made property a "contested sociopolitical arena" (Everingham, 2001: 61). Such conflicts over property rights can impair democracy, and economic development of the poor in Latin America (Lustig & Deutsch, 1998). Violence sometimes ensues.

With an estimated four million landless families, land ownership is a significant socio-political problem in Brazil. Indigenous groups claim that Aracruz bought land that allegedly had been inhabited by indigenous people (c.f. Osland & Osland, 2007). While disputing this claim,

Aracruz repeatedly tried to resolve the conflict, dating from the late 1960s, by providing land and social programs to the Indians. The government asked Aracruz to donate 1,700 hectares of land in 1981; in the deed, FUNAI stipulated that the land was not indigenous domain territory. In 2002 Aracruz enrolled indigenous communities in their Forestry Partners Program, in which the Indians earned income by selling timber to the company.

The conflict heated up after the Indian's request for more reservation land in 1993:

- 1995: FUNAI suggested the reservations be expanded by 14,200 hectares.

- 1997: The Minister of Justice granted an increase of 2,600 hectares.

- 1998 – Aracruz signed an agreement with two indigenous communities and FUNAI, a government agency, and the Federal Public Prosecutor's Office increasing the indigenous reservation by 2,571 hectares previously owned by Aracuz. The company also donated 184 hectares to a third indigenous community. Unhappy with the agreement, some Indians seized Aracruz land. Aracruz signed another agreement, promising R$13.5 million in assistance over 20 years.

- 2002 – The Indians asked to renegotiate the 20-year agreement after only 4 years. Aracruz increased its contributions for a total of R$1.4 million per year, agreed to fund 41 university scholarships, support a job skills training program, support reforestation and other community projects, and signed a Forestry Partners Program contract with indigenous communities.

- 2005 – The Indigenous communities demanded an additional 11,000 hectares from Aracruz who decided to take the issue to court, prompting squatters to invade the 11,000 hectares and seize Aracruz's pulp mill for 30 days. Aracruz suspended its contributions

and social programs until the squatters leave, claiming the Indians had reneged on their agreement.

- 2006 – A judge reaffirmed Aracruz's legal right to the land on January 24th and ordered the squatters to leave; they disobeyed the order. On August 28th, FUNAI recommended that the Ministry of Justice expand the reservation by 11,000 hectares, mainly Aracruz land.

- 2007 – Although a judgment was expected in October, 2006, The Ministry returned the matter to FUNAI for further study. Failing to reach a solution, FUNAI referred the issue back to the Ministry who decided in favor of the Indians and granted them 11,000 hectares, which was mostly legally purchased Aracruz property. The Minister stated that Aracruz had not expelled indigenous communities or done anything illegal. This amount added to the 2,600 hectares annexation in 1998 totals 13,600, close to the 13,300-14,200 hectares FUNAI recommended back in 1995-1997 when the conflict worsened.

The Ministry's decree does not guarantee against further demands for Aracruz land, nor does the land guarantee a way out of poverty for all the Indians.

Brazil's landless families are represented by the MST, an NGO that helped elect Lula da Silva, a supporter of land reform, to his first term as President of Brazil in 2003. Subsequently, hundreds of thousands "have taken land reform into their own hands with [the President's] support. Now many are disappointed by da Silva's alliances with agribusiness and right-wing power brokers" (Muello, 2006). Although da Silva spent US$4.45 million on land settlements, the MST views this as inadequate. Over 30,000 families invaded about 150 farms throughout Brazil, and 12,000 squatter families marched on Brasília in 2005. When MST did millions of dollars worth of damage to Aracruz property, Da Silva condemned the violence and budgeted

$585 million to partially fulfill his campaign promise of finding land for 400,000 families. Thus, in the current sociopolitical environment, the MST has high expectations and enjoys some degree of moral legitimacy and presidential support.

Like other advocacy groups, NGOs can provide credible, objective information as well as harsh polemics and biased views. For example, two European NGOs, SSNC of Sweden and NOVIB- Oxfam Netherlands, helped finance a 46-page World Rainforest Movement report (De'Nadai, Overbeek, & Soares, 2005) criticizing Brazil's income disparity and contradicting Aracruz's claims about the land. There are often conflicting stakeholder perspectives in controversies like this, making it difficult to tell where "the truth" lies. Are the NGOs unfairly targeting Aracruz or simply lending their support to poor people unfairly matched with a powerful multinational? Is the World Rainforest Report fact or polemic? Is information on the land conflict with the indigenous communities on Aracruz's website factual or a PR campaign? Regardless, firms like Aracruz have to find ways to deal effectively with NGOs and other stakeholders when confronted with problems like the long-term socio-economic development of the Indians.

Simulation

The Aracruz case illustrates the challenges facing global leaders in complex business environments. Students in management courses must consider how diverse perspectives influence decision-making both in a local community and in a global society. The Aracruz case offers an opportunity for students to understand how stakeholder dialogue can be effective with poverty-related dilemmas. The case demonstrates how alliances and disparities can emerge among different stakeholders, which can impede ongoing progress toward possible solutions.

Classroom simulations are an effective way for students to grasp the complexities of the business world (Collins and Kearins, 2007; Lantis, 1998; Teach and Govahi, 1993). To demonstrate the importance of stakeholder dialogue in management education, we provide a simulation based on the Aracruz case (Appendix). This simulation has been used successfully with MBA students in a broadly defined course on sustainability.[1] Students proved capable of creating a win-win process and dealing with the ambiguity inherent in the situation. The writing assignments and peer feedback exercises (see Exhibits 1 & 2) raise student awareness about stakeholder skills and increase the likelihood of practicing them. After the simulation, students may enjoy researching the latest developments in the saga, although they should be warned against doing so before the simulation so as not to influence the solutions they devise.

Because the Aracruz case is unresolved, the simulation is useful in conveying to students there is no easy "right answer" or known solution to this dilemma, which makes it an appropriate case for teaching global leadership. Faculty must also live with this ambiguity and help students appreciate the complexity of the case.

Experience in real global stakeholder conflicts and, to a lesser degree, the Aracruz simulation can offer several lessons for students, as well as global business leaders:

1) *Communicate and listen mindfully*. Global leaders listen to other parties carefully and attentively, watching for verbal and nonverbal signs indicating lack of understanding. Respectful communication practices help to foster positive attitudes toward all stakeholders and build trusting relationships that create the foundation for collaboration. In contrast, negative attitudes and offensive language hinder collaboration.

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[1] We have not had an opportunity to use the simulation with traditional undergraduates. They might be more prone to see the simulation in black and white terms, and their lack of work/life experience could result in frustration about finding solutions. These assumptions should be tested.

2) *Seek common ground and shared goals*. Focus on common goals that supersede individual stakeholder interests and explore options for proceeding even in the midst of differences. Be open to constant interpretation and re-interpretation of issues, focusing on nuances rather than assuming adversarial positions. Minimize stereotypes.

3) *Scrutinize your own assumptions*. Never assume that there is nothing to learn from the local context or that the knowledge one brings to the local context is 'new.' Move beyond historical - present day comparisons. Accept that conditions have changed, requiring new attitudes and behaviors to make progress. Don't be afraid to change your opinion and acknowledge past mistakes. Be willing to accept influence from others. Rigidly adhering to one's opinion both sets a bad example and becomes an obstacle.

4) *Allow self-determination*. Allow solutions to develop indigenously, from dialogue among local and global leaders. Seek and facilitate community buy-in. If community residents have an opportunity to voice their concerns, conflict may be averted. Complex problems involving multiple stakeholders are seldom permanently resolved. Expressing frustration over delays can prolong the situation. Expect ongoing dialogue and the need to balance competing tensions.

Discussion

We identified the following basic assumptions that underlie much of management education that are not universally shared. These assumptions may prevent businesspeople from understanding the context of poverty. Therefore, they should be questioned and discussed in the classroom and the boardroom: 1) firms bear no responsibility for poverty and should focus on profit maximization and use corporate social responsibility solely for its public relations value; 2) poverty and environmental degradation do not have an impact on business; 3) relationships

with NGOs and other stakeholders do not need to be actively managed; 4) solutions to problematic stakeholder conditions do not need to be contextualized (adapted to local conditions); 5) property rights are inviolable; 6) exploitative practices that harm poor people do not hurt business; and 7) a focus on internal excellence and even sustainability is "good enough." In particular, the realities of impoverished areas/countries sometimes challenge a basic assumption of the capitalist system regarding property rights. Helping students question basic assumptions and understand different assumptions held by other groups in various countries promotes the development of a more global mindset.

As the rise of social entrepreneurship gains worldwide attention (Drayton, 2007), global leaders have to think beyond the traditional corporate model and mindset to find ways to reach out to local communities. Business could learn from NGO best practices in both outreach and creative stakeholder dialogue. They could also benefit from examining their own mindset about poverty and understanding its antecedents and outcomes.

Attributions about poverty raise two important issues related to mindset. "Self-made" businesspeople are sometimes guilty of fundamental attribution error (Ross, 1977) when they look at poor people. They may overestimate the influence of personal failings ("They are poor because they are lazy or stupid. I made it; therefore, anyone can who really tries.") and underestimate the influence of external factors (e.g., class, poor health, discrimination, inadequate education and services) when judging poor people. As the gap increases between the rich and poor, misattributions as well as misunderstandings are more likely. We need to ensure that business students are exposed to poverty, preferably through service learning projects and experiences that will impact their mindset and result in realistic, nuanced understandings.

At the same time, a key lesson in helping people escape poverty, in addition to providing

opportunity and removing obstacles, is the necessity of changing their mindsets. Witness the emphasis on education, attitudes and self-reliance in successful socio-economic development programs. The poor have to be engaged as respected partners, not charity cases. The hand-out approach (present to some degree in the Aracruz case) seldom works. This does not, however, constitute an excuse to turn one's back on poverty. Gidden's warning about the dangers of expanding inequality should not be overlooked. Lessons from history, as well as action learning projects and research on the impact of poverty and social inequality on economic health, political instability and terrorism, could help students and policy makers see the importance of changing mindsets.

Finally, changing mindsets about poverty have to be accompanied by different skills. For business students, this means developing stakeholder dialogue skills. The skills identified in the literature aim to shift the mindset of a business person away from a competitive, confrontational, and closed-minded stance toward a more cooperative, empathetic, and open-minded stance vis-à-vis social and environmental issues (Kaptein & van Tulder, 2003; Pedersen, 2006). They include a willingness to listen to others, to practice tolerance towards those with different viewpoints, to accept criticism, and to share information relevant to the process and outcome of the issue at hand (Kaptein & van Tulder, 2003; Pedersen, 2006). While such skills are important, we believe that stakeholder dialogue skills for global leaders, who operate in a multitude of complex political, economic, legal and socio-cultural environments, must go beyond the general skills elucidated in the literature. As we noted above, a global leader must be mindful to communicate in a way that is responsive to culturally-specific verbal and non-verbal communication patterns, patterns that can affect decision-making processes and outcomes. Global leaders must be open to constant reinterpretation of issues as they seek common ground. They must check their

assumptions about what the other parties know or believe; this may be particularly salient in economically depressed areas of the world, where the global leader may hold a prevailing assumption that poverty is synonymous with ignorance. A global leader must set aside any ethnocentric and egocentric tendencies to manipulate the outcome according to one truth, and allow the outcome to develop indigenously, in congruence with socio-cultural realities.

We hope this article and the class simulation highlight the importance of engaging multiple stakeholders in a process that leads to new solutions for seemingly intractable problems related to poverty.[2]

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[2] The authors have several decades of experience, collectively, living or working with the poor in poverty-afflicted areas of Asia, Africa and Latin America, much of time employed by NGOs dealing with social problems. This article and simulation grew out of their experience (Reade & McKenna, 2006) and global leadership research (Osland & Osland, 2007; Osland, et al, 2007).

APPENDIX: GLOBAL STAKEHOLDER SIMULATION -- ARACRUZ CELULOSE S.A.

The simulation is based on the assumption that global leadership training emphasizes experiential learning and skill development. It is modeled after *The Clayoquot Controversy: A Stakeholder Dialogue Simulation* (Lawrence & Svendsen, 2002), which focuses on an environmental controversy. The simulation provides students with the opportunity to extract and interpret the perspective of other groups and to practice and receive feedback on their skill in stakeholder dialogue.

Class Design: The total time required is 150 minutes (2 ½ hours). The simulation can be done in two sequential classes if class sessions are short (1-2 hours) or in one session if the class session is longer than 2 hours. Steps 2, 7 & 8 can be assigned as homework to save class time.

STEP 1. (10 minutes) **Simulation Introduction & Stakeholder Group Formation**. Introduce the simulation and its purpose. Ask students to avoid looking online for resolution ideas related to the Aracruz controversy until the simulation is over (otherwise, this will not be a true test of their stakeholder dialogue skills). Then, randomly organize students into five equal stakeholder groups and assign their role. (Ideally, stakeholder groups should have no more than 8 students. If you are teaching a large class, you may wish to run the simulation simultaneously in different classrooms.)

STEP 2. (30 minutes) **Presentation Preparation**. Have each stakeholder group read the introduction to the simulation and their role. During this period, they are to prepare a 6-8 minute presentation explaining (1) who they are and what they value; (2) what they hope to gain in this situation; and (3) what they will do if that does not happen. (If this step was assigned as homework, students can be instructed to dress as their stakeholders would for their presentation. This allows others to quickly recognize who they are and is more fun.)

STEP 3. (30-40 minutes) **Stakeholder Presentations**. Encourage them to listen closely to the other group presentations so they understand the various perspectives and are better equipped for the stakeholder dialogue. Hand out the Stakeholder Perspective Form (Exhibit 1)[3] to help them prepare and plan for the coming dialogue. Have a timekeeper who gives the groups a two-minute warning at the 6-minute mark. Ask for clarification and information-seeking questions after each presentation, but do not allow students to "grill" presenters or debate issues. Active listening and extraction of other perspectives are the skills to be practiced in this segment.

(If you are conducting the simulation over 2 class periods, this is a good place to break).

STEP 4.   (10 minutes) **Explanation of Stakeholder Dialogue and its Behavioral Components**. Explain the principles of stakeholder dialogue: listening and learning that leads to a creative, consensus solution that takes into consideration multiple perspectives: (be sure to emphasize that students are not to debate one another: the focus is on listening). Instruct students to practice the behavioral skills that comprise stakeholder dialogue, shown in the handout titled Peer Evaluation Form, Exhibit 2.[4] (Afterwards, they will also be asked to evaluate themselves and one another on how well they performed these behaviors during the simulation.)

STEP 5. (30 minutes) **Initial Stakeholder Dialogue Assignment − Areas of Agreement and Disagreement**. Form heterogeneous stakeholder groups composed of one representative from each group: their first task is to enhance understanding through discussion and find common ground among the stakeholders. During this time, they should suspend judgments, identify assumptions and communicate effectively. The written product, due to you in writing, is:

- Describe 3-5 areas for solutions.

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[3] The items in this form are based on A. T. Lawrence and A. Svendsen's *The Clayoquot Controversy: Instructor's Manual* (2002): 18.

[4] The source of the items in this form is A. T. Lawrence and A. Svendsen's *The Clayoquot Controversy: Instructor's Manual* (2002): 4.

- Describe 3 areas where solutions will have to resolve disagreements.

STEP 6. (30 minutes) **Second Stakeholder Dialogue Assignment – Finding a Solution**. The next step involves brainstorming creative solutions and focusing in on those that appear most promising. Ask students to come up with several creative, out-of-the-box, win-win ideas to resolve the conflict. They should not immediately judge the ideas as good or bad. After they have enough ideas on the table, they should choose the five most promising ideas and develop them further. Finally, they should select their best idea, describe it in writing, signing their names, proving that a consensus was reached.

STEP 7. (15 minutes) **Debriefing**. As a class, discuss the simulation. For in-class discussion, solicit responses from 1 or 2 groups for each of the following questions. For take-home writing, students may answer all of the questions.

1. What solutions did your team come up with? Which of these solutions strikes you as the most likely to work? Which is the most creative?

2. Is there anything Aracruz could have done to avoid or ameliorate this problem? What should they do at this point in the controversy?

3. What is the responsibility of business regarding social problems like poverty?

4. How should businesses deal with NGOs and other community stakeholders?

5. What did you learn about using stakeholder dialogue skills? How well did you put these skills into practice? Which ones were most difficult?

STEP 8. (5 minutes) **Peer Evaluation**. Have students fill out the Peer Evaluation Form on the stakeholder dialogue skills they observed for the members of their heterogeneous teams, including themselves. Record (anonymously) and compile the feedback results for each individual student on a blank Peer Evaluation Form and distribute them in a subsequent class.

SIMULATION INTRODUCTION

First have students read the section in the article entitled "Aracruz Celulose." Then state: "Your task is to take on the role of one of the stakeholder groups involved in this controversy, make a team presentation on this group, and then employ stakeholder dialogue skills to find a creative solution with a heterogeneous group of stakeholders. The key stakeholders in this conflict are: 1) Aracruz Celulose executives; 2) indigenous communities and the Landless Workers Movement (MST) in Espírito Santo; 3) international NGOs supporting the Indians and pressuring Aracruz; 4) FUNAI, the National Indigenous Peoples Foundation; and 5) the community.

YOUR ROLE – EXECUTIVE OF ARACRUZ CELULOSE S.A.

Aracruz is proud of the international and national accolades it has won for environmental sustainability and excellent management. It has appeared on the 150 Best Companies to Work For in Brazil list for the last four years. It has been the only forestry company on the Dow Jones Sustainability Index for the last three years. A company executive stated that the firm naturally expected to contribute toward the improvement of life in the communities in which it operates. In the last 40 years, Aracruz Celulose has worked in partnership with the neighbor communities on several social initiatives in order to establish long-term relationships based on mutual respect and improved quality of life.

Aracruz began the Forestry Partners Program in 1990 to work collaboratively with farmers to develop sustainable plantations that provided farmers with income and the company

with timber for pulp. In 1999, local Tupinikim and Guarani Indians began to participate as well. Commercial farming of eucalyptus has become one of the varied activities such communities use to become financially self-sufficient. According to the company website, the program now involves approximately 88,000 hectares farmed by more than 3,000 farmers. What's really important is the long-term socio-economic development of the indigenous community.

Aracruz also wants a definitive solution to the land dispute in the form of legal assurances that this will be the last annexation of their land to increase the size of the reservations. They want protection for their investments on the land (equipment, roads, dams, etc.). A definitive end to the conflict will benefit the company and the indigenous communities but also the community, state and the country.

Aracruz is an icon, a symbol of the success of agribusiness in Brazil, drawing the ire of anti-globalization movements such as the MST and a host of local and international NGOs. These movements, in their quest for a social utopia based on a family and peasant-based agricultural system, (rather than Aracruz's agribusiness model), manipulated the Indians and other communities to seize property belonging to Aracruz. Such movements are only possible because the lack of socio-economic development in the Indian communities opens the door for agitators to exploit them. The NGOs behind the indigenous peoples' movements are probably anti-global and anti-corporate.

Aracruz tried talking with radical NGOs to no avail. On the other hand, Aracruz maintains an active forum with other environmental NGOs focused on the recovery of the Atlantic forest. In July, 2007, Aracruz had three more plots of land, (bringing to the total to over 6,000 hectares), declared as Private Natural Heritage Reserves (RPPNs). These are conservation units created on private land, at the owner's initiative, approved by the government, with the

purpose of preserving biological diversity.

Some Aracruz managers believe that their first agreement with the Indians was mistakenly interpreted as an acknowledgement of guilt by the company, rather than a gesture of good will. The company has perhaps been too accommodating. Aracruz has aerial photos from 1957 (10 years before it began buying land) showing no indigenous villages in the region. Because they purchased the land legally, Aracruz did not perceive, at first, the implications and strength of the protest movement.

Some executives believe that no solution is possible as long as the MST and radical NGOs are influencing the Indians. One of the directors sees the future participation of Aracruz Celulose as voluntary, not obligatory. The company did not cause the landless problem and it cannot build a long-term solution to landlessness alone. It must work in conjunction with society, the state and the church, to facilitate the integration of the Indians into mainstream society with commensurate income, self-esteem, and education. Aracruz does not intend to return to the politics of hand-outs, which did not contribute to the sustainable socio-economic development of the Indians. If protest groups continue to harm Aracruz, the firm's ability to provide jobs and facilitate the socioeconomic growth of the region will decrease.

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YOUR ROLE - INDIGENOUS AND LANDLESS WORKERS IN ESPIRITU SANTO

There are four million landless families in Brazil. Without land, it is difficult for these families to grow food or improve their economic situation. While Brazil's upper echelon benefits from economic development, the landless poor fall farther behind. Believing that Lula da Silva would resolve this problem, the MST helped elect him president of Brazil in 2003. Now

MST members worry that da Silva's alliances with agribusiness and right-wing power brokers may lessen his concern for the landless.

When the MST invaded Aracruz land and did millions of dollars of damage by burning the forest and the port, da Silva criticized the violence. He also allocated another $585 million for landless families, so the invasion had a positive result.

Aracruz farms huge tracts of land in Brazil. Those of you with indigenous roots believe that your ancestors may have lived on this land. You have heard that some Indians were kicked off the land when Aracruz moved in. The company donated land to the Indian reservation in the past, which probably means that they obtained it illegally in the first place. If they weren't guilty, why would they give up their land? Now there are even more landless people in the region. Aracruz is a very wealthy company and should use some of that wealth to help the less fortunate benefit from Brazilian development. Above all, the Indians want to maintain their traditions, live in dignity, and take care of their families.

YOUR ROLE – INTERNATIONAL NGO

Though Aracruz's website reports collaboration with some NGOs, to you the company exemplifies what is wrong with globalization and agribusiness. While millions of Brazilians have no land, Aracruz, according to its website, has "… 279,000 hectares of eucalyptus plantations, intermingled with around 154,000 hectares of native forest reserves, which are of fundamental importance for ensuring the balance of the ecosystem." This is 86% of the size of the land area of Delaware owned by one company! The company has created a monoculture that is bad for the environment. Aracruz should be responsible for social justice in a country with a wide gap between rich and poor.

When Aracruz outsourced thousands of jobs and began using contractors, NGOs said this weakened the unions and decreased worker salaries and benefits. There are also rumors that the contractors simply dismissed employees who had suffered work accidents or work-related illnesses.

NGOs have engaged in dialogue with Aracruz with varying degrees of success. They have tried to pressure Aracruz in several ways. NGO protests convinced the Swedish government to disinvest in Aracruz. After Aracruz obtained a US$50 million loan from the World Bank, 64 individuals and NGOs sent a letter to the President of the World Bank complaining about the land rights dispute, environmental degradation, and 70,000 landless families. However, a World Bank official responded in detail to each criticism claiming that they had done due diligence before granting the loan and defending Aracruz. The protest to the World Bank was ultimately unsuccessful, but you are gratified by the negative publicity Aracruz has received and by the collaboration of NGOs in Brazil and Europe in attacking the company. At least you are trying to do something to help the poor and protect the environment. You intend to keep pressuring the company until they become a good corporate citizen and look out for the rights of powerless citizens.

YOUR ROLE – FUNAI

FUNAI (National Indigenous Peoples Foundation) is the Brazilian government agency charged with protecting Indian interests and Indian culture. According to the Internet, "It establishes and executes governmental policies on behalf of the indigenous population. It tries to assure that Indians receive basic education as well as help them protect lands that belong to them. It also conducts surveys and studies of aboriginal groups."

There are approximately 2,000 Indians living in the Espíritu Santo area. On January 27, 2006, FUNAI presented its study reporting that the Tupiniquim and Guarani Indians had traditionally occupied the 11,000 hectares they claimed. FUNAI further alleged that the company had damaged the environment on the land and watershed through its farming methods that entailed a monoculture supported through agrichemicals.

FUNAI believed that Aracruz was mistakenly trying to influence public opinion against the Indians and FUNAI and that Aracruz caused the rioting because of its intransigence. According to one report, Aracruz put up billboards saying "Aracruz brought progress; FUNAI, [brought] Indians."

The immediate problem of the 11,000 hectare expansion of the reservation was resolved, but the ongoing poverty of some of the Indians continues.

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YOUR ROLE -- THE COMMUNITY

This includes local suppliers and services that are interdependent with Aracruz, churches, schools, and community organizations. While they had varying views on the land dispute, all are impacted by the poor socio-economic development of the indigenous people. They seek a solution that will allow them to live in peace and safety, keep their jobs, and feed their families.

In November, 2006, 3,000 local businesses and unions, and residents, members of the newly-formed Aracruz Celulose Support Movement, delivered a petition signed by 78,511 individuals and 363 organizations to the Brazilian Minister of Justice in the state capital, Vitória. The petition urged "respect for the rule of law" in resolving the land conflict, called for "legal assurances guaranteeing Aracruz Celulose's constitutional rights," and asked the government to take a firm stand on the matter. Their primary objective was to protest against violent acts such

as cutting trees and setting fires in Aracruz's forests and against road blocks on access roads to the mill. This group also demanded protection for the company's workers and collaborators. In addition to three major state unions, the Support Movement had the backing of the Espírito Santo Transportation Federation (Fetransportes), the Civil Construction Industry Union (Sindicon) and the Association of Service Supply Companies in the Extreme South of Bahia.

Many community members see their economic well-being tied closely to Aracruz's operations. When protesters block roads and shut down the mill, Aracruz contract employees cannot work and cannot pay their bills. Some of them wish the protesters would go away because they view them as a threat to their well-being.

The members of the broader community hope that they can play a conciliatory and mediating role between the two opposing sides that have become increasingly intransigent. Fortunately the government resolved the immediate conflict over the land, but bad feelings and the long-term issue of the socio-economic development of some of the Indians and the poor are still present. You want to live in a peaceful community and prosper.

Exhibit 1. STAKEHOLDER PERSPECTIVE FORM

	Aracruz Celulose	Indigenous and Landless People	International NGOs	FUNAI	Community
Who they are and what do they value?					
What do they hope to gain in this situation?					
What they will do if that does not happen?					
Shared similarities with your stakeholder group					
Differences with your stakeholder group					